

Tax Information

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Franchise Tax Reporting Tips for Combined Groups

- ✓ **Taxpayer numbers:** Reporting entities should use the 11-digit taxpayer number assigned by the Comptroller's office or the entity's federal employer identification number (FEIN). Use our search at <http://ourcpa.cpa.state.tx.us/coa/Index.html> to find the taxpayer number. If affiliates do not have their own Comptroller taxpayer number or FEIN, do not substitute the file number assigned by the Secretary of State, the reporting entity's taxpayer number, or a tax number assigned to any other entity. Leave the field blank.
- ✓ **Extensions:** A combined group requesting an extension must complete both Form 05-164, the Extension Request and 05-165, the Extension Affiliate List. If the combined group is required to pay by electronic funds transfer (EFT), Form 05-164 is not required, but Form 05-165 must be filed. The affiliate list tells us which entities will be reported as a part of the combined group, so we will not expect a separate report from those affiliates.

When the combined group files the report, it will also file Form 05-166, the Affiliate Schedule. The reporting entity must be included on both the list and the schedule.

Before filing the franchise tax report and the affiliate schedule for the extended due date, please review the affiliate list submitted with the extension request. If an entity was included on the affiliate list but not on the affiliate schedule, the combined group will not be in good standing. If an entity was included on the affiliate list in error, notify the Comptroller's office in writing explaining the error and how the entity will report – separately, or as a part of another combined group.

Do not submit the extension request or the affiliate list again when the report and schedule are filed.
- ✓ **Payments:** When making a franchise tax payment, use the name and taxpayer number of the reporting entity for the combined group. Payments submitted with the name or taxpayer number of an affiliate could result in a delay in updating the account status.
- ✓ **Affiliate List/Affiliate Schedule:** The reporting entity should ONLY include on the Form 05-165, Affiliate List, and Form 05-166, Affiliate Schedule, those affiliates that are part of the affiliated group and are unitary. An affiliate that meets both criteria should be included regardless of whether the entity has nexus in Texas. If an affiliate does not meet both criteria, the affiliate should not be included on the affiliate list or affiliate schedule. Also, neither the affiliate list nor the affiliate schedule should include any entity where the ownership interest is 50 percent or less. If ownership interest is 50 percent or less in every entity owned, a combined report is not due. Each entity must file a separate report.
- ✓ **Nexus:** Blacken the circle when the entity DOES NOT have nexus in Texas. If the nexus circle is left blank, we will assume the entity has nexus and will expect the applicable information report. If an entity ceases to have nexus, blacken the circle and complete Form AP-114, Texas Nexus Questionnaire, to provide an end date of activity so we can close the account.
- ✓ **Common Owner Information:** The reporting entity of a combined group with a temporary credit for business loss carryforward preserved for itself and/or its affiliates must submit common owner information by the due date of the report. The information must be submitted to satisfy franchise tax filing requirements, even if the combined group is not claiming the credit on the current year's report. For 2012, submit the common owner information electronically at www.window.tx.gov/commonowner/.

Information about franchise tax is available on the Comptroller's website at www.franchisetax.tx.gov.

For taxpayer assistance, call 1-800-252-1381 or 512-463-4600.

✉ Sign up to receive Texas franchise tax email updates straight to your inbox at www.window.state.tx.us/subscribe.